

LATOYA CANTRELL, MAYOR
CITY OF NEW ORLEANS

October 30, 2019

Councilmember Helena Moreno
Council-At-Large
New Orleans City Council
1300 Perdido Street
New Orleans, La 70112

RE: ENTERGY'S RATE CASE

Dear Councilmember Moreno,

This Rate Case is an historic opportunity to set the direction of our energy future. Given the climate risks facing New Orleans, and the significant energy burdens on our people, we need a Resolution that sets forth bold and transformational change in our energy policy. While the proposed Resolution in the rate case does bring together many priorities of the various stakeholders, I believe that the Resolution as drafted is not sufficient to meet the greater needs and goals of our city.

The Resolution in this rate case should require greater reductions in rates for residents and businesses, improved reliability of our power grid, and a ROE of 10% or more to drive investment in our infrastructure, particularly as it relates to the needs of the Sewerage and Water Board. From there, the Council's Resolution must go even further. It must make clear that the future of our city requires a fundamental shift away from the status quo, toward energy policy that achieves our climate action and equity goals, builds the local green economy, and mitigates the severe environmental risks facing New Orleans. Our people cannot afford to settle for anything less.

The risks of climate change in New Orleans cannot be overstated. Coastal erosion and rising sea levels, extreme weather events, higher temperatures and carbon emissions threaten us at our very core. That being said, we recognize that the old ways of doing things have contributed to the problem.

In New Orleans, energy use accounts for 50% of greenhouse gas emissions. At the same time, New Orleans ranks among the worst cities nationally for energy efficiency, leaving our residents among the most energy cost-burdened in the country. This is why I am calling for Council to negotiate a compromise that achieves greater savings for ratepayers, while committing Entergy New Orleans to deliver bold and swift action on clean, reliable and affordable energy.

The proposed Resolution does not go far enough in setting ENO on a course toward a sustainable energy future. Providing ENO with a Return on Equity (ROE) less than the national average would be shortsighted in many respects. We know that the national average ROE for vertically integrated electric utilities was 9.72% in 2018.¹ We also know that ENO is faced with greater risks than the average utility company due to its geographic location, small market size and other factors. These risks impact ENO's ability to raise capital for basic infrastructure, as well as for additional climate action and equity goals.

¹ Source: S&P Global Market Intelligence/ Regulatory Research Assoc. and EEI Rate Department.



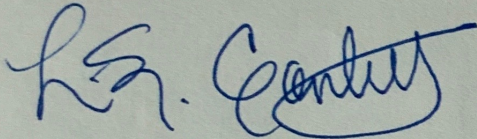
In light of the evidence presented in the rate case, and when looking at established ROEs for comparison with similar risk profiles across the Gulf South, I believe that a 10% ROE is justified. In fact, an adequate ROE is necessary for ENO to attract capital to invest in our community.

It is important to note that with a 10% ROE all ratepayers—including the City of New Orleans and the Sewerage and Water Board—will still see historic decreases in their monthly bills.

I recognize that with your leadership through the various utility dockets the Council is making real steps toward the clean energy future we need. The outcome of this rate case will directly impact our ability to deliver on existing commitments in those dockets, and to achieve even more ambitious goals. That is why it is so important that this Resolution reaches a global solution to the challenges we face, and secures a sound financial framework for ENO to successfully achieve those goals on behalf of the people of New Orleans.

While we appreciate the many months of work and expertise that have gone into drafting this Resolution, we are not yet where we need to be. I call on the Council, the intervenors and stakeholders to come together and revise this Resolution so that the people get a better deal, the City gets its fair share, and our utility is put on a sustainable path toward clean, efficient and affordable energy.

Sincerely,



LaToya Cantrell
Mayor

cc: Councilmember Jason Williams, Council-At-Large
Councilmember Joe Giarrusso, District A
Councilmember Jay H. Banks, District B
Councilmember Kristin Gisleson Palmer, District C
Councilmember Jared Brossett, District D
Councilmember Cyndi Nguyen, District E
Tara Richard, Director of Council Relations
Jonathan Rhodes, Director of Utilities